

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 CIAE-00 INR-07 NSAE-00

OTPE-00 SS-15 SP-02 INRE-00 SSO-00 /043 W

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FM AMEMBASSY JIDDA

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C O N F I D E N T I A L JIDDA 3042

TREASURY FOR OSAA.

E.O. 11652: GDS

TAGS: ETEL, BEXP, SA, US

SUBJECT: MICROWAVE COMMUNICATIONS PROJECT

REF: STATE 83176

1. MESSRS. T.A. CAMPOBASSO, PRESIDENT, COLLINS SYSTEMS INTERNATIONAL, AND GEORGE W. SULLIVAN, PRESIDENT, COLLINS COMMERCIAL TELECOMMUNICATIONS DIVISION, CALLED ON EMBASSY APRIL 25 WITH PURPOSE OF INFORMING LATEST DEVELOPMENTS MICRO-WAVE PROJECT AND SEEK ACTIVE USG SUPPORT ON BEHALF WESTERN ELECTRIC/COLLINS (WE/C) CONSORTIUM BID PACKAGE. COLLINS OFFICIALS ALSO REPRESENTED JAMES S. HERBERT, EXECUTIVE VICE PRESIDENT, WESTERN ELECTRIC.

2. REVIEWING SITUATION BRIEFLY, IT IS ESTABLISHED THAT WESTERN ELECTRIC/COLLINS CONSORTIUM IS ONLY US FIRM IN CONTENTION FOR PROJECT AND OUTLOOK FOR FAVORABLE DECISION IS ENCOURAGING. HOWEVER, LOW BIDDER, ITALIAN SERTI, IS RECEIVING ACTIVE SUPPORT ITALIAN GOVERNMENT THROUGH CLOSELY ORCHESTRATED EFFORTS BY GOI EMBASSIES AT WASHINGTON AND JIDDA WITH SAG. WE/C OFFICIALS BELIEVE
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MOST STRONGLY THAT THEIR BID PACKAGE MUST RECEIVE EXPRESSION OF STRONG SUPPORT FROM USG TO PRESENT AT LEAST BALANCED INTEREST OF USG AND GOI IN EYES OF SAUDIS.

3. IT IS EXPECTED THAT COMING EVENTS WILL UNFOLD ALONG FOLLOWING LINES (EXTRACTING OF ANY POLITICAL CONSIDERATIONS):

A. WE/C WILL MEET WITH PTT MINISTER DR. ALAWI DARWISH KAYYAL, ON APRIL 26 IN RIYADH AT WHICH TIME WE/C WILL PRESENT LETTER MAKING SUBSTANTIAL REDUCTION IN ORIGINAL BID. (REDUCTION POSSIBLE UPON REFINEMENTS OF RESPONSE TO SPECS AND DEMONSTRATION THAT CERTAIN INCREASES ADDED BY BID EVALUATION COMMITTEE WERE ITEMS ALREADY INCLUDED IN ORIGINAL BID PACKAGE.)

B. IT IS HOPED THAT PTT MINISTER WILL THEN INVITE WE/C OFFICIALS TO MEET PTT EXPERTS AND "EXPLAIN" TECHNICAL ASPECTS AND COSTS OF WE/C BID PACKAGE. WE/C HAS TEAM OF MORE THAN 20 EXPERTS IN COUNTRY FOR JUST SUCH MEETING.

C. IT IS BELIEVED THAT PTT WILL PROBABLY THEN OFFER SIMILAR OPPORTUNITY TO SERTI.

D. WITH TWO FIRM OFFERS IN HAND OF WHICH WE/C WILL BE WITHIN SEVEN TO TEN PERCENT OVER SERTI BID, PTT WILL THEN TAKE ABOUT TWO WEEKS TO STUDY AND REACH DECISION-- ABOUT MID-MAY.

E. WITH PROJECT DECISION MADE IN MID-MAY, PTT WOULD THEN SIT DOWN WITH WINNER, DRAW UP CONTRACT AND ANNOUNCE AWARD IN JUNE.

4. COMMENT: SERTI WAS LOW ORIGINAL BIDDER BY RANGE OF 27-30 PERCENT, WITH DIFFERENCE CLEARLY EXPLAINABLE. TAKING EVALUATION COMMITTEE ADJUSTMENTS MADE IN BOTH BIDS, PLUS CHANGES WE/C NOW PLANS TO OFFER, WE/C (WHILE STILL HIGHER) IS CLEARLY WITHIN STRIKING DISTANCE ON THIS ALL-IMPORTANT PROJECT, REPRESENTING INITIALLY EMPLOYMENT FOR UPWARDS OF 600 EMPLOYEES IN-COUNTRY AND CONFIDENTIAL

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EXPORT EMPLOYMENT POTENTIAL OF 20,000 DOMESTIC JOBS.

5. RECOMMENDATION: EMBASSY BELIEVES THAT USG SHOULD WEIGH IN WITH STRONG EXPRESSION OF SUPPORT FOR WE/C BEFORE REPEAT BEFORE PTT MAKES ITS DECISION, AND DEFINITELY BEFORE VISIT OF CROWN PRINCE FAHD SO THAT OUR POSITION ON BEHALF US FIRMS IS PERFECTLY CLEAR. IT IS CONCEIVABLE THAT CROWN PRINCE (WHO HAS MADE KNOWN HIS PERSONAL INTEREST IN TELECOMMUNICATIONS COMPLEX TO SENIOR EMBASSY OFFICIAL ON EARLIER OCCASION) MAY BE HOLDING UP ACTION ON THIS PROJECT UNTIL HE CAN ASSESS EFFECTS OF HIS TRIP TO UNITED STATES. WE ARE INCLINED TO THINK THAT, IF THIS ONE SEGMENT OF THE TELECOMPLEX WERE TO GO TO US COMPANY OR CONSORTIUM, THERE IS GREAT LIKELIHOOD OF SUBSTANTIAL ADDITIONAL PORTIONS OF COMPLEX --VARIOUSLY ESTIMATED AS NEAR THREE BILLION DOLLARS-- WOULD FOLLOW TO US SUPPLIERS. ACCORDINGLY, EMBASSY URGES NOT ONLY THAT USG MAKE DEMARCH ON BEHALF WE/C BUT THAT WE ACCOMPANY OUR ACTION WITH SOME INDICATION THAT

USG WILLING TO CONSIDER APPROPRIATE QUID PRO QUO OF
INTEREST TO SAG WHICH CROWN PRINCE COULD SHOW. THIS
MIGHT HASTEN AND FACILITATE SAG'S FAVORABLE DECISION AT
TIME WHEN THERE SEEMS TO BE LITTLE ON PLATE.
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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
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Sent Date: 25-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Drafter: n/a
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